



REPORT N° INF2019-006

Date	16/09/2019
Submitted by	Click here to enter text.
Subject	Morris Village, Phase 5 Capital Cost Recovery Strategy
File N°	n/a

1) NATURE/GOAL:

The purpose of this report is to secure Council's approval of the principles of a cost recovery strategy for the construction of infrastructure for Morris Village, Phase 5.

2) DIRECTIVE/PREVIOUS POLICY:

n/a

3) DEPARTMENT'S RECOMMENDATION:

Whereas, growth related infrastructure must be constructed to support the Morris Village, Phase 5 development;

And Whereas, this infrastructure also provides service capacity for future Brigil Development adjacent to Poupart Road and External Lands west of Caron Street;

And Whereas, landowners that benefit from the servicing works constructed for Morris Village, Phase 5 will be required to pay their share of the infrastructure costs;

BE IT RESOLVED THAT Council hereby approves Option 3 as described in report No. INF2019-006, entitled "No City Front-End Financing" which consists of:

- ensuring that once development proceeds for Brigil and external lands, the developers will be requested to pay their share of benefitting servicing costs and applicable interest charges as a condition of subdivision approval; and
- Spacebuilders enters into front-end financing agreement with the City as condition of subdivision approval.

Attendu Qu' afin d'appuyer le développement de la phase 5 du Village Morris des infrastructures liées à la croissance doivent être construites ; et

Attendu que ces infrastructures desserviront les développements futurs de Brigil adjacents au chemin Poupart et les terrains externes à l'ouest de la rue Caron ; et

Attendu que les propriétaires qui bénéficieront de ces services construits pour la phase 5 du Village Morris vont devoir payer leur part des coûts des infrastructures ;

Qu'il soit résolu que le conseil municipal approuve l'option 3 « No City Front-End Financing » décrite dans le rapport no. INF2019-006 qui consiste à :

- S'assurer que les développeurs seront obligés de payer leur part des coûts des services ainsi que les intérêts applicables comme condition d'approbation d'une subdivision une fois que le développement débute par Brigil et les terrains externes ;
- Spacebuilders conclut une entente de financement préalable avec la Cité comme condition d'approbation d'une subdivision.

4) BACKGROUND:

Spacebuilders has communicated to City staff their intention to proceed with servicing works for Morris Village, Phase 5. To date, Spacebuilders has spent over \$2.5 million in infrastructure works that benefit future development areas.

Spacebuilders acknowledges its responsibility to finance local servicing costs but, are of the opinion that they should not be fully responsible for front-ending the costs of servicing works for future development areas. For this reason, the developer is requesting that the City agree to a cost recovery strategy to mitigate their financial risks. In summary, Spacebuilders is requesting that the City give favourable consideration to front-ending financing a portion of or all of external lands servicing costs.

In order to address this issue, it is important to understand:

- (a) the extent of lands that benefit from the Spacebuilder infrastructure works; and
- (b) the timing and cost of required infrastructure.

Benefiting Land Areas:

Attachment 1 is a graphic depiction of the various landholdings that are impacted by the Morris Village, Phase 5 servicing works.

Approximately 17 separate and distinct landholdings are identified in this plan. All of these lands will derive a benefit from servicing works in Morris Village, Phase 5 and will ultimately result in approximately 4000 units of residential development.

It is acknowledged that each developer must be responsible for the emplacement of “local servicing works” that benefit their development solely. However, every effort should be made to maximize the installation of infrastructure works that provide benefit to multiple development areas. Construction of stormwater management ponds, feeder water mains, pumping stations, etc. represent infrastructure that have substantial operational and maintenance costs that will be inherited by the City once the infrastructure has been completed and accepted. These types of facilities should be consolidated and optimized as much as possible, to not only reduce costs, but minimize future operations and maintenance costs.

The challenge with this strategy; however, leads to the question as to who should be responsible for front-ending financing the cost of future benefiting lands until development actually takes place?

Morris Village, Phase 5 Servicing Costs:

In order to proceed with Morris Village, Phase 5, Spacebuilders will incur total infrastructure expenditures in excess of \$51 million. This amount includes local servicing cost requirements in addition to future recovery costs from other benefiting landowners in the amount of \$7.8 million.

Table 4.1 provides a “high-level” breakdown of the servicing costs for Morris Village, Phase 5 by benefiting land area. It also summarizes the maximum number of units that will be achieved with full buildout.

Table 4.1

Morris Village, Phase 5 Servicing Cost Shares			
Total Shareable Servicing Costs	Recovery Costs		
	Spacebuilders	Brigil	External Lands
\$20.1 M [4000 units]	\$13.4 M [1000 units]	\$2.1 M [1200 units]	\$5.7 M [1800 units]

Schedule of Servicing Works:

Based on Table 4.1, it is obvious that a considerable amount of money will have to be invested to service not only Morris Village, Phase 5 but also the infrastructure needs for future development plans external to Morris Village.

It is noted; however, that not all of the infrastructure works need be constructed in the same timeframe. Rather, servicing the Phase 5 development can be staged as housing demands dictate.

Attachment 2 illustrates the various stages of the Phase 5 development. Table 4.2 summarizes the timetable associated with the construction of infrastructure in Phases A, E and K which provide benefiting services to external land owners. Servicing of the remaining phases (i.e. Phases B, C, D, F, G, H, I, J, L) identified in Attachment 1 will be serviced and financed solely by Spacebuilders.

Table 4.2

Schedule of Servicing Works				
Phase	Morris Village	Servicing Start	Housing Construction Start	Proposed Recovery Costs
Phase "A"	148	Jan. 2019	Nov. 2019	\$1.1 M
Phase "E"	109	May 2022	Sept. 2021	\$3.0M
Phase "K"	43	Jan. 2026	June 2026	\$1.6M
TOTAL	300			\$5.7M

Development Meetings:

To date, there have been several meetings with Spacebuilders and Brigil to discuss infrastructure requirements and costs; the timing of the works and particularly, a mechanism for cost recovery of infrastructure works. Spacebuilders has expressed an interest in proceeding expeditiously with servicing of Morris Village Phase 5. Similarly, Brigil has indicated that it will be proceeding with development of their lands in the foreseeable future. However, the timing of servicing and development of the "external lands" is unknown.

5) Discussion:

Since Morris Village, Phase 5 will be the first development to proceed, it is necessary to agree on servicing cost estimates and, more particularly, recovery cost shares for lands "external" to the Phase 5 development.

Initially, consideration was given to identifying the Phase 5 cost shareable servicing works in the new Development Charge Background Servicing Study as eligible development charge projects. However, since these projects provide a direct benefit to a specific land area, it was not deemed to be equitable to include these projects into a universal development charge. It is preferable for the City to impose

collect-back agreements for benefiting lands through the subdivision approval process.

As a result of the meetings with the developers, staff has assessed several options to ensure collect-back of costs incurred by Spacebuilders for lands external to Morris Village, Phase 5. Attachment 3 (Table 5.1) identifies the options considered by staff and briefly describes the option, the mechanism for cost recovery and the pros and cons of each.

Staff Recommendation:

The department has carefully reviewed the implications of the five options summarized in Attachment 3 and supports *Option 3-No City Front-End Financing* as the preferred cost recovery mechanism for Morris Village, Phase 5 infrastructure. The reasons for this are as follows:

- The option is consistent with past practices used by the City for cost sharing infrastructure for multiple landowners.
- It does not result in a undesirable impact on the City's debt financing limits.
- It does not create an onerous precedent that would be advanced for future developments in the municipality.
- The City has minimal involvement in the construction of infrastructure. It becomes an improving agency only.
- The timing of construction rests solely with the developers/builders.
- Private sector infrastructure emplacement can result in reduced costs.

6) CONSULTATION:

Consultation has occurred with representatives from the City, Spacebuilders, and Brigil with regards to the servicing needs and associated cost recovery strategies.

It is anticipated that further consultation will continue into the subdivision approval process.

Staff will also convene a meeting prior to year-end with the "external" landowners to ensure that they are aware of (a) servicing requirements and (b) the requirement to pay their fair share of servicing costs constructed by Spacebuilders.

7) RECOMMENDATIONS OR COMMENTS FROM COMMITTEE/ OTHER DEPARTMENTS:

n/a

8) FINANCIAL IMPACT (expenses/material/etc.):

Subject to approval of Option 3, the City would not be subject to any substantial financial impacts. The risk associated with collect- back of infrastructure costs would rest solely with the developer.

9) LEGAL IMPLICATIONS:

Utilization of cost recovery agreements is an accepted development strategy and is legally permissible.

10) RISK MANAGEMENT:

Option 3 represents the least financial risk to the City since the developer will be responsible for the construction of cost sharing infrastructure. Cost recovery agreements would be required from future benefiting landowners as a condition of subdivision approval. The timing of development; however, is unknown at this time.

11) STRATEGIC IMPLICATIONS :

Adoption of the Administration's recommendation detailed in this report is consistent with the strategic directions contained in the Financial Stability and Environmental Responsibility objectives of Council's approved Strategic Plan.

12) SUPPORTING DOCUMENTS:

Attachment 1: Morris Village Benefiting Service Areas

Attachment 2: Morris Village Phasing Map

Attachment 3: Summary of Cost Recovery Options